sheardsfinancial
MANAGEMENT

HOW DEFINED BENEFIT PENSIONS WORK:

Defined benefit pensions pay out a secure income for life which increases each year.

LARGE EMPLOYER
PUBLIC SECTOR

You might have one if you've worked for a large employer or in the public sector.

£+

Your employer contributes to the scheme and is responsible for ensuring there's enough money at the time you retire to pay your pension income.

£→+

You can contribute to the scheme too.

They usually continue to pay a pension to your spouse, civil partner or dependants when you die.

YOUR PENSION INCOME IS BASED ON:

PENSIONABLE SERVICE	→	The number of years you've been a member of the scheme
PENSIONABLE EARNINGS	→	This could be your salary at retirement ('final salary'), salary averaged over a career ('career average') or another formula
ACCRUAL RATE	→	The proportion of your earnings you'll get as a pension for each year in the scheme (commonly 1/60th or 1/80th)

HOW TO WORK OUT YOUR PENSION INCOME:

YEARS IN SCHEME → ÷ Divided by accural rate → X Multiplied by pensionable earnings

For example, if your scheme has an accrual rate of 1/60th, you were in a DB pension scheme for 10 years, you retire at 65 on a salary of £24,000 a year this would give you a pension of: 10 (years) multiplied by £24,000 (salary) Divided by 60 (accrual rate) = £4,000 a year.
You can also commute part of your pension for a tax-free pension commencement lump sum.

RETIRE AT 65 WITH 10 YEARS IN DB SCHEME ON A £24K PER YEAR SALARY

10 YEARS x £24,000 SALARY ÷ 60 ACCRUAL RATE = £4,000 PER YEAR

Here at Sheards Financial Management, we are specialists in this area. If you would like to discuss your pension in more detail, please contact us on **01484 448 019** or email: **fs@sheards.co.uk**